

Bangkok Serviced Apartment Market

Surachet Kongcheep
Associate Director | Thailand

“Many new projects are in the pipeline, and the increasing interest of foreign investors is also a positive sign for the serviced apartment market.”

Forecast at a glance



Demand

Approximately 84,720 expatriates had applied for work permits in Bangkok as of 1Q 2017, and the total number of expats in Bangkok has continuously increased over the past few years.



Supply

There were approximately 19,416 serviced apartments in Bangkok as of 1Q 2017.



Occupancy rate

Average occupancy rates in all locations have continued to increase steadily, and most are higher than 70%.



Occupancy rate

Average rents in 2017 will continue to increase. However, the increases may be only a few percentage points, as most clients for serviced apartment projects are on long-term contracts.

Supply

Cumulative and future supply as of 1Q 2017



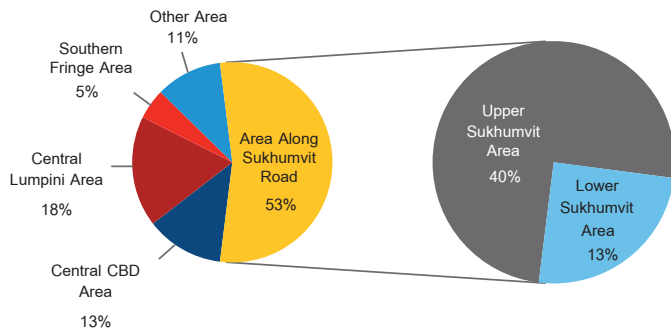
Source: Colliers International Thailand Research
Note: F = Estimated units expected to be completed in 2017–2018

New serviced apartment projects that are scheduled to be completed in 2017–2018 comprise nearly 2,000 units. This is due in part to several large-scale projects in the Central Lumpini Area. This area of Bangkok is a prime location and remains the most popular area for serviced apartment development, especially in the vicinity of Lumpini Park and the area along Sukhumvit Road. As of 1Q 2017, there were approximately 19,416 serviced apartments in Bangkok.

New serviced apartment projects have gradually decreased each year since 2009 after a large number of condominium units were added to the market. However, during the past one to two years, Thailand’s government has worked to attract more foreign investors, and many foreigners are coming to Thailand to work or for investment reasons. Therefore, fewer developers were interested in more development of serviced apartment projects in 2016–2018.

International serviced apartment brands are very limited in Thailand, and no new brands have entered the market in the past few years, although several are watching for opportunities in the future.

Serviced apartment supply in Bangkok by location as of 1Q 2017

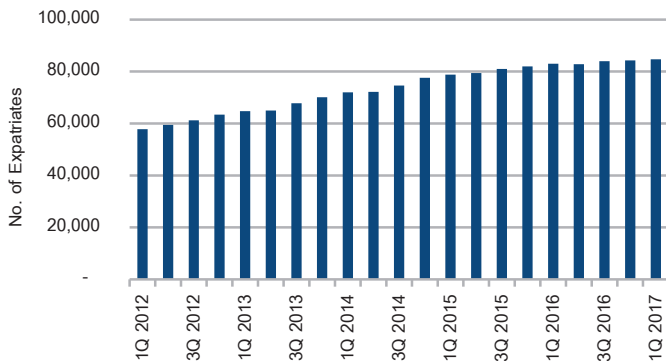


Source: Colliers International Thailand Research

The region along the Sukhumvit Road area was the most suitable location for serviced apartment projects for many years until now. This is because it offers numerous facilities for expatriates, who represent the main client group for serviced apartments, and because the area is the most convenient for transportation in Bangkok. Therefore, many serviced apartment projects were located in this area, and a number of new projects are also under construction here.

Demand

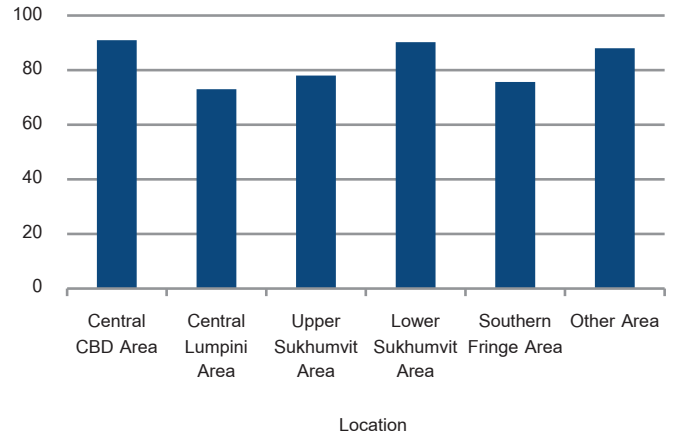
Expatriates had applied for work permits in Bangkok by quarter



Source: Colliers International Thailand Research

The main target group for serviced apartments in Bangkok is expatriates who work in Bangkok. Approximately 84,720 expatriates had applied for work permits in Bangkok as of 1Q 2017, and the total number of expats in Bangkok has continuously increased over the past few years, although this number slowed during Thailand's political instability in the past few years.

Average Occupancy Rate as of 1Q 2017



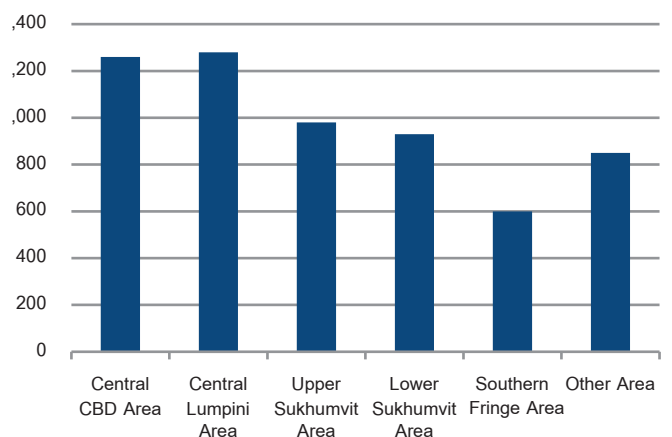
Source: Colliers International Thailand Research

Because of less-expensive rental rates, many foreigners have decided to stay in condominiums or luxury apartments in the same location as serviced apartments. However, in spite of that, occupancy rates in all locations have continued to increase steadily, and most are higher than 70%.

We expect that the average occupancy rate for serviced apartments in Bangkok in 2017 may be similar to the rate for 2016. It will not differ much, as most clients have long-term lease contracts.

Rental Rates

The average rental rate of one-bedroom units by location as of 1Q 2017



Source: Colliers International Thailand Research

The average rental rate in all locations as of 1Q 2017 remained similar to the previous year's rate. Most projects do not want to increase their rents more than 10% due to intense competitive in the market. Serviced apartments are also not the first option for all expatriates in Bangkok at the moment. This is because they are more interested in condominiums and high-end and luxury apartments compared to serviced apartments in the same location with lower rents but similar amenities.

The rental rates in the Central CBD and Central Lumpini Areas are the highest; they exceed rental rates for other locations by approximately 30–100%. This is because of the large number of branded and luxury serviced apartment projects in the area.

Average rents in 2017 will continue to increase. However, the increase may be only a few percentage points, as most clients for serviced apartment projects have long-term contracts.

FOR MORE INFORMATION:

Napaswan Chotepard

Senior Manager | Residential Sales & Leasing

+66 85 902 7463

napaswan.chotepard@colliers.com

Surachet Kongcheep

Associate Director | Research | Thailand

+66 86 014 2828

surachet.kongcheep@colliers.com

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